

**STATE PLAN UNDER TITLE XIX OF THE SOCIAL SECURITY ACT**

State of VIRGINIA

**METHODS AND STANDARDS FOR ESTABLISHING PAYMENT RATES--  
INPATIENT HOSPITAL CARE**

**12 VAC 30-70-500. Outlier Payment Methodology Illustration.**

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**(Dollar amounts and other values are for illustration purposes only.)**

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**Assume the following:**

Outlier Operating Fixed Loss Threshold	\$15,483.00
Outlier Adjustment Factor	0.8000
Hospital X Operating Cost-to-Charge Ratio	0.7200
Hospital X Medicare Wage Index	0.9413
Statewide Average Labor Portion of Operating Costs	0.5977
Hospital X Billed Charges for Case Y	\$100,000.00
Hospital X Operating Payment for Case Y (Hospital Operating Rate per Case (\$2,309.98) X Relative Weight (3.1790) for Case Y)	\$7,343.43
Adjustment Factor	0.6247

**Step 1 Calculate Hospital X Adjusted Operating Cost for Case Y:**

Hospital X Billed Charges for Case Y		\$100,000.00
Hospital X Operating Cost-to-Charge Ratio	×	0.7200
Hospital X Operating Costs for Case Y		\$72,000.00
Adjustment Factor	×	0.6247
Hospital X Adjusted Operating Cost for Case Y		\$44,978.40

**Step 2 Calculate Wage Adjusted Outlier Operating Fixed Loss  
Threshold:**

Outlier Operating Fixed Loss Threshold		\$15,483.00
Statewide Average Labor Portion of Operating Costs	×	0.5977
Labor Portion of Outlier Operating Fixed Loss Threshold		\$9,254.19
Hospital X Medicare Wage Index	×	0.9413
Wage Adjusted Labor Portion of		\$8,710.97
Hospital X Outlier Operating Fixed Loss Threshold		
Non-Labor Portion of Outlier Operating Fixed Loss Threshold	+	\$6,228.81
Wage Adjusted Outlier Operating Fixed Loss Threshold		\$14,939.78

**Step 3 Calculate Hospital X Outlier Operating Threshold for Case Y:**

Wage Adjusted Outlier Operating Fixed Loss Threshold		\$14,939.78
Adjustment Factor	×	0.6247
Adjusted Outlier Operating Fixed Loss Threshold		\$9,332.88
Hospital X Operating Payment for Case Y	+	\$7,343.43
Hospital X Outlier Operating Threshold for Case Y		\$16,676.31

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TN No. 98-15  
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TN No. 97-18

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**Step 4 Calculate Hospital X Operating Outlier Payment for Case Y:**

Hospital X Adjusted Operating Cost for Case Y		\$44,978.40
Hospital X Outlier Operating Threshold for Case Y	-	\$16,676.31
Hospital X Outlier Operating Costs for Case Y		\$28,302.09
Outlier Adjustment Factor	×	0.8000
Hospital X Outlier Operating Payment for Case Y		\$22,641.67

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